



Judicial Council of California

Administrative Office of the Courts

Trial Court Financial Policies and Procedures

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BUDGET MONITORING AND REPORTING

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Budget Monitoring and Reporting

1.0 Purpose

The purpose of this policy is to establish uniform guidelines for the trial court to monitor and control its annual budget and help ensure responsible management of available resources.

2.0 Policy Statement

1. The trial court will manage its operations in a fiscally prudent manner. Expenditures may not exceed the amounts established in the court's approved budget. Budgetary control measures are required to assure that expenditures do not exceed allocations for specific funds, programs, elements, components, tasks, or objects of expenditure.
2. The trial court shall monitor actual expenditures against its annual budget. Cash flow also will be monitored to assure that the trial court has sufficient moneys to meet its obligations. On a quarterly basis, the trial court shall submit a report of revenues and expenditures to the AOC. The Quarterly Financial Statement (QFS) and the supplementary Report of Revenues (ROR) will be in the form and according to the schedule approved by the Judicial Council. Annually, the trial court shall submit financial information to the AOC for consolidation and submittal to the state for inclusion in the State of California Comprehensive Annual Financial Report (CAFR).

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4.0 Application

This policy applies to all trial court officials and employees.

5.0 Definitions

The terms defined below apply to this policy and are for the express purpose of interpreting this policy.

1. **Approved Budget.** A plan for the financial operation of the trial court for a fiscal year. The plan is developed and submitted to the AOC for approval as set forth in Policy No. 4.01 – Budget Development.
2. **Budgetary Control.** The management of the trial court according to an approved budget to keep expenditures within the limitations of available appropriations and revenues.
3. **Budget Revision.** An adjustment to a trial court's available budget.
4. **Budget Transfer.** A movement of funds in a trial court's budget among program, element, component or task areas, and between objects of expenditure.

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5. **Cash Flow.** A measure of the trial court's ability to meet its financial obligations over a defined time period, considering cash on hand, anticipated revenue, and known obligations or debts.
6. **Comprehensive Annual Financial Report (CAFR).** The overall fiscal report for California state government, including the state trial court system. The trial courts submit financial information to the AOC for consolidation and submittal to the state for inclusion in the State of California CAFR. The CAFR includes financial statements and supporting schedules, documentation, statistics and introductory material to demonstrate conformity to GAAP and compliance with legal requirements, rules and regulations.
7. **Quarterly Financial Statement (QFS).** A report submitted by the trial court according to Judicial Council requirements and Government Code Section 77206, that is used to monitor the financial condition and budgeted expenditures of the trial court throughout the fiscal year. The AOC is required to submit an annual report based on the QFS to the Joint Legislative Budget Committee regarding trial court expenditures.
8. **Report of Revenues (ROR).** A supplementary report submitted by the trial court along with the QFS according to Judicial Council requirements and Government Code section 77202. The ROR is used to monitor the receipt of all revenues, including fines, fees and forfeitures, throughout the fiscal year.

6.0 Text

6.1 Background

1. After the trial court's annual budget has been approved and funds appropriated in the State Budget Act, the court must operate within the limitations of the available funding under the budget (GC 77206.1). The court must establish budgetary control

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procedures to monitor its budget on an ongoing basis throughout the year to assure that actual expenditures do not exceed budgeted amounts.

2. Regular budget monitoring allows the court to: 1) assure that funds are available for court operations, and 2) reallocate limited resources in the event of budget shortfalls or surpluses. Monitoring both expenditure and cash flow allows the court to exercise an appropriate level of control over available funds and to take corrective action as necessary.
3. Quarterly budget reporting to the AOC is done in the Program, Element, Component and Task (PECT) format at the object of expenditure level. The trial court submits the QFS, which is a budgetary control document and financial report that provides the AOC and other external reviewers with the assurance that the court's operations are within appropriate limits. The QFS is also the means by which the court reports budget revisions and transfers.

6.2 Budget Monitoring Requirements

1. It is the court's responsibility to monitor its budget on a regular basis. It is recommended that the court prepare and review a comparison of actual expenditures with the approved budget that provides the following information for each program element and budget line item of expenditure:
 - a. Actual expenditures incurred for the previous month.
 - b. Expenditures incurred for the fiscal year-to-date.
 - c. The variance between year-to-date actual and budgeted expenditures.
 - d. The remaining balance for each program element and object.

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2. In addition, the court should analyze its cash flow needs for the current month and project its cash flow for the remainder of the fiscal year.
3. Expenditure to budget comparisons and cash flow monitoring reports shall be prepared and reviewed as soon as is practicable after closing information becomes available each month.
4. The court shall not limit its budget analysis to a "bottom line" review of the court's fund balance. Individual budget line item review is required to provide a greater degree of budgetary control.

6.3 Budget Reporting

1. The Judicial Council is responsible for collecting information and reporting on the financial status of the trial courts. GC 77202 (d)(e) and (f) establish that the Judicial Council shall:
 - a. Provide the Controller with summary information regarding court revenues and expenditures.
 - b. Adopt rules to provide for reasonable public access to budget allocation and expenditure information at the state and local levels.
 - c. Adopt rules ensuring that the trial court provides information relating to court administration including financial information in a timely manner upon written request.
2. Specific requirements for trial court financial reporting are discussed below.

6.3.1 Quarterly Financial Statements

1. The trial court shall submit a QFS that provides the following PECT information at the object of expenditure level:

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- a. Actual expenditures incurred during the previous fiscal quarter.
 - b. Cumulative expenditures for the fiscal year-to-date.
 - c. The variance between actual and budgeted expenditures.
 - d. The remaining budgeted balance for each object of expenditure.
 - e. Budget transfers among PECT areas and between expenditure objects, as necessary to support operations. (These adjustments should net to zero).
 - f. Budget revisions reflecting changes to the court's available budget, such as additional Judicial Council allocations or receipt of new grants.
2. The trial court shall prepare and submit the QFS to the AOC on a schedule approved by the Judicial Council. The form of the QFS is established in procedures adopted by the AOC with the approval of the Judicial Council. The trial court shall follow all instructions regarding the preparation of the QFS and ROR that are issued annually by the AOC's Budget Unit.

6.3.2 Report of Revenues

In addition to the QFS, the trial court shall also submit a quarterly ROR as specified in the instructions that are issued annually by the AOC's Budget Unit. The trial court shall prepare and submit the ROR to the AOC concurrently with the QFS on a schedule approved by the Judicial Council. The form of the ROR is established in procedures adopted by the AOC with the approval of the Judicial Council.

6.3.3 Certification and Documentation

1. Both the QFS and ROR are to be reviewed and certified by the Presiding Judge or delegated to the Court Executive Officer prior

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to submission to the AOC. The reports and signed certification pages must be sent to the AOC by the dates established by the AOC's Budget Unit.

2. The trial court should retain a copy of both the paper and electronic version of its QFS and ROR for its records and for use in preparing future reports.

6.4 Budget Revisions

1. During the course of the fiscal year, the trial court may receive additional or amended allocations from the Judicial Council, receive locally retained revenues above those originally budgeted, or receive new grants from other governments or private sources.
2. The trial court will revise the budget and report the budget revisions to the AOC as part of the QFS. The Fiscal Officer will also prepare amended reports for management and the Presiding Judge, reflecting these revisions.
3. Budget revisions are reported at the Task and Summary Object of Expenditure (line item) levels, and reflect an overall increase or decrease to the trial court's approved budget. Budget revisions will reflect changes in authorized positions through the Schedule 2 (Changes in Authorized Positions) process as well as changes in fiscal resources.
4. Under no circumstance will funds received by the court for specific uses or applications (i.e., grant funds) be transferred to other court programs in violation of grant terms, conditions and agreements.
5. The court will conduct regular reviews of actual expenditures versus budgeted amounts and project expenditures to assure that the remaining budget is sufficient to cover anticipated expenditures for the balance of the fiscal year. If a budget shortfall is anticipated,

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appropriate actions shall be taken to assure that court operations are not adversely affected.

6. The court should document all budget revisions to account for variances in projected versus actual expenditures. This will keep its statements accurate and provide a better tool to prepare baseline allocations.

6.5 Budget Transfers

1. GC 77001 (c)(1) establishes the authority of the Judicial Council to adopt rules that ensure the trial court's management of the movement of funds between functions, line items, or programs on a basis that is consistent with statute, rules of court, and standards of judicial administration.
2. It is the intent of this manual to provide trial courts with the flexibility in transferring funds between individual programs and objects of expenditure where the transfers are necessary for the efficient and cost-effective operation of the courts, or to make technical corrections. Within this framework, the following provisions govern budget transfers.

6.5.1 Trial Court Trust Fund Transfers Between Program Items

1. Trial courts prepare their baseline budgets on Schedule 1 according to the program, element, component and task (PECT) structure. The budgeted amounts in Schedule 1 represent the court's planned operations by program activity for the fiscal year.
2. The budget transfer process allows courts to transfer existing funds between or among the budgeted program components to reflect changes in the court's planned operations or to correct technical errors. Budget transfers are subject to the following limitation:

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- a. For any fiscal year, a cumulative amount not to exceed \$400,000 or ten percent, whichever is less, of the affected program, element, component or task, may be transferred between or among other programs, elements, components or tasks. This threshold applies to increasing or decreasing programs, elements or components. The trial court has the authority to transfer unrestricted funds up to this limitation and must record this information on the appropriate QFS.
3. Any request(s) exceeding the \$400,000 or ten percent threshold requires written notification to the AOC Finance Division and must include a complete explanation for the necessity of the transfer. The AOC will review the request and respond (approve/deny) within 30 days of receipt.
4. Funds designated for specific purposes (e.g., interpreters, technology, special programs, etc.) through grants, Budget Change Proposals, or other means shall not be used for any other purpose.
5. The court's Presiding Judge or written designee shall establish internal review and approval procedures regarding the transfer of funds between all programs, elements, components, or tasks.

6.5.2 Transfers Between Objects of Expenditure

1. Trial courts also prepare their budgets on Schedule 1 at the summary object of expenditure level specified in the Chart of Accounts. This consists of budgeted expenditures for personal services, operating expenses and equipment, and special items of expense. Within the existing funding of a single PECT area, money may need to be transferred between objects of expenditure to reflect changes in planned court operations during a fiscal year or to correct technical errors. Therefore, interchanges between

budgeted summary objects of expenditure are authorized to permit the effective management of court operations. The Presiding Judge of the court or written designee shall establish internal review and approval procedures regarding the above-mentioned requests.

2. All transfers between objects of expenditure must be reported in the QFS. The transfers should be reported at the summary level. Prior notification or authorization by the AOC is not necessary.

6.6 Budget Change Requests

1. Funds provided to the trial court through the Budget Change Request process must be used for the purpose requested. Transfer or redirection of these funds for other than the authorized purpose is inconsistent with the principles of the state budget process.
2. Augmented funding may be received from the Judicial Council based upon approved Budget Change Requests submitted by the court and included in a Budget Change Proposal funded in the Budget Act. Following enactment of the state budget, the court will reflect changes in funding in its subsequent QFS according to the Fiscal Detail Worksheet provided by the AOC Finance Division. The court will also prepare and submit a Schedule 2 of new positions concurrent with Schedule 1, if new positions are authorized with the augmented funding.
3. Funds received pursuant to the Budget Change Request process may not be transferred between program areas and are not to be included when calculating the amount available for transfer to another program area, as set forth in Paragraph 6.5, Budget Transfers.
4. While the court may not transfer augmented funds from the budgeted program area, funds received in this process may be transferred

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between summary objects of expenditure within the program area as set forth in Paragraph 6.4, Budget Revisions, of this section.

5. Exceptions to this process must be based on extreme circumstances, thoroughly explained in writing, recommended by the Presiding Judge or written designee, and submitted to the Chief Financial Officer of the AOC for approval.

6.7 Emergency Budget Procedures

1. The Judicial Council budget allocation to the trial court is intended to adequately fund court operations and staffing, allowing the court to carry out its functions and guarantee citizens' access to justice. In the unlikely event that the trial court projects that its budget will be exhausted before the end of the fiscal year, preventing the court from meeting its financial obligations or continuing normal operations, the AOC Finance Division should be immediately advised in writing.
2. The AOC will work with the court to help it manage the funding shortfall. Under the most extreme circumstances, if trial court expenditures exceed the budget authorized by the Judicial Council, the AOC may appoint another party to manage the fiscal operations of the trial court (GC 77206.1).
3. A loan of trial court funds to any entity, including the county, is not permissible under any circumstance.

7.0 Associated Documents